

2005-2006 PERFORMANCE PLAN – CHIEF EXECUTIVE OFFICER

Qualitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule	Third Quarter Status Report
40%	Annual Plan Priorities	<p>By June 30, 2006, Develop strategies to provide industry leadership and attain objectives as identified in Annual Plan Projects under the following major categories:</p> <ul style="list-style-type: none"> ▪ Customer Services: Obtain Board approval of a Customer Service Management enterprise policy and strategy that includes evaluation criteria, communication and marketing plans, assessment of required technology, and measurement tools. ▪ Benefits Management: Establish strategic directions for the Health Program and obtain Board approval by March 30, 2006. ▪ Asset Management: Develop plan for the expansion of the Supplemental Savings Program investment options to include “branded CalPERS products.” ▪ Enterprise Compliance: (1) Identify all policies, roles and regulations for the Operational Support functions, (2) Identify compliance tools and monitoring methods used enterprise wide, (3) Report to the Finance Committee on progress of the Compliance Unit. 		<p>Customer Services</p> <p>Completed:</p> <ul style="list-style-type: none"> ▪ Project Plan ▪ Project team members have been selected and assigned. ▪ Steering Committee comprised of Terri Westbrook, Kathy Vaughn, Pat Macht, and Ken Marzion has been established. ▪ Project Charter ▪ Strategy document that outlines the vision, philosophy, goals, and guiding principles of the Customer Service Experience project. ▪ Contracted with an external consultant to facilitate focus groups and otherwise solicit input from retirees, active members, and employer groups on the proposed strategies.

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				<p>In progress:</p> <ul style="list-style-type: none"> Performing research and analysis including review of industry best practices and benchmarks. Focus groups to be conducted the first week of April. <p>Benefits Management</p> <ul style="list-style-type: none"> Completed: Obtained Board approval of the CalPERS strategic plan, including Health. Discussed potential health partnership opportunities with the CEO of Catholic Healthcare West. <p>In progress:</p> <ul style="list-style-type: none"> Closed session discussion to be held with the Board in April to review pending policy decisions on benefit design, market position of HMO and PPO, service area concerns, and plan partnership. Will present options regarding service area issues, multi-year HMO contracts, and development of PPO Select, and other policy options in May.

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				<ul style="list-style-type: none"> Continue to execute against the strategic plan. Public Sector Healthcare Roundtable convened its first legislative session. Relationships established with the FTC and AARP. Negotiations ongoing with Blue Shield with respect to terms of its 3-year renewal. Discussions ongoing with the Board on 2007 benefit changes, possible adoption of PPO Select, and possible changes and reductions to the Blue Shield coverage area. <p>Asset Management</p> <p>In progress:</p> <ul style="list-style-type: none"> A report was presented to the Investment Committee at the December 2005 meeting on the plan development to date.

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				Enterprise Compliance Completed: <ul style="list-style-type: none"> A progress report outlining the Program's accomplishments for the 2005 calendar year was presented at the February Finance Committee meeting. Presented the Program's first annual report at the March Finance Committee meeting. Currently recruiting for staff to specifically concentrate on Health compliance issues.
20%	Special Projects	<p>Complete special projects identified by the Board, meeting performance objectives established by the Board at the time of assignment. This will include acting on emerging issues in a manner that maximizes the potential benefit and minimizes the risk to CalPERS. Report to the Board on actions taken.</p> <p><u>SPECIAL PROJECTS:</u></p> <ol style="list-style-type: none"> 1) Defined Benefit/Defined Contribution Pension Debate 2) Disaster Recovery 3) Health Care Purchasers Conference 4) Contracting Review Process 5) Establish the Retirement Application for 		Defined Benefit/Defined Contribution Pension Debate In progress Disaster Recovery In progress: <ul style="list-style-type: none"> Construction to the Emergency Operations Center to make operational for business needs. Table top exercise to assess enterprise readiness is scheduled for the first week in June.

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		Disability Accelerated Response (RADAR) project to eliminate the processing backlog created by the Nolan Decision.		<p>Health Care Purchasers Conference</p> <p>Completed:</p> <ul style="list-style-type: none"> Conference was successfully held September 21. Mark Smith of the CHCF and several other notable speakers attended and the event was endorsed by many large employers and employee groups. <p>Contracting Review Process</p> <p>Completed:</p> <ul style="list-style-type: none"> Project Plan Project team members have been selected and assigned. Steering Committee comprised of Gloria Moore Andrews, Anne Stausboll, Curtis Howard, and Peter Mixon has been established. Project Charter

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				<p>RADAR</p> <p>Completed:</p> <ul style="list-style-type: none"> Established a priority budget for this project and gained Board approval. Hiring of temporary and permanent project staff in January. <p>In progress:</p> <ul style="list-style-type: none"> Backlog of 4500 applications is on target for completion by June 30.
15%	Pension System Resumption Project	By March 31, 2006, oversee completion of Final Proposal Review and vendor selection.		<p>Completed:</p> <ul style="list-style-type: none"> CalPERS received three Final Draft Proposals and implemented the PSR Change Restriction and Exemption Process on February 1. Completed Final Draft reviews on February 15. Held Confidential Discussions and solution demonstrations with each vendor from February 21 through March 9. Initiated formal evaluation process upon receipt of Final Proposals.

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				<p>In progress:</p> <ul style="list-style-type: none"> Receive Final Proposals, including costs. Complete Final Proposal evaluations and select vendor. Finalize preparations for contract negotiations with apparent winner.
10%	Succession Planning and Management	<p>Demonstrate a commitment to leadership development and communication with all employees about the importance of succession management and workforce planning, including:</p> <ul style="list-style-type: none"> By June 30, 2006, implement the new executive leadership training program including clearer linkage of development activities and formal training to self-development. By June, 30, 2006, implement an enterprise Workforce Action Plan to assure technical and professional bench strength throughout CalPERS. By June 30, 2006, present to the Board a report on the succession management and development plan for Board-reports and the Deputy Executive Officers. 		<p>Completed:</p> <ul style="list-style-type: none"> Enterprise communication plan for this year's activity and the integration of the succession planning activities into the annual and 3-year business planning process. The development of the Leadership Acceleration Workshops (LAW). The first workshop was held in March. <p>In progress:</p> <ul style="list-style-type: none"> Second LAW to be held in April. Development of an enterprise-wide workforce transition action plan. Executive level approval will be received by June 1.

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				<ul style="list-style-type: none"> Succession management and development plan for Board reports and Deputy Executive Officers is being developed and will be presented to the Performance and Compensation Committee this summer.
10%	Enterprise Leadership and Management Communication	<p>Demonstrate a commitment to leadership development and communication with all employees about the importance of open communication and employee engagement.</p> <ul style="list-style-type: none"> By June 30, 2006 achieve improvement in the area of open communication and employee engagement as measured by a focus group and organization wide survey. 		<p>Completed:</p> <ul style="list-style-type: none"> An action plan has been developed outlining specific objectives to be achieved over the next 18 – 24 months to address four areas that were identified as opportunities in the employee survey: <ul style="list-style-type: none"> Open Communication and Employee Engagement Growth and Development Managing Workload Accountability for Performance The development of the Leadership Acceleration Workshop.

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				<p>In progress:</p> <ul style="list-style-type: none"> The administration of the 360 degree multi-rater Leadership Feedback process in support of the annual Leadership skill Assessment process is continuing.
5%	Diversity Program	<p>By December 31, 2005, conduct a Diversity Workshop for the Investment Committee with a goal of establishing objectives for the incorporation of an Investment Office plan to improve diversity in all operations.</p> <p>By March 31, 2006, conduct a Diversity Conference focused on an increase in diversity in CalPERS investment operations.</p>		<p>Completed:</p> <ul style="list-style-type: none"> The Diversity Workshop was held on November 14, 2005. Henry Cisneros was the key note speaker. The workshop was well attended and successfully launched a new level of commitment to diversity within CalPERS Investment Office. <p>In progress:</p> <ul style="list-style-type: none"> The Conference was held in April 24 – 25, 2006, in San Jose with 550+ attendees.
100%	Total	Performance Measures		

Approval:

Date: